GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:726
ANSWERED ON:16.05.2002
CAPTIVE POWER POLICY
DALPAT SINGH PARASTE;YEMPARALA VENKATESWARA RAO

Will the Minister of POWER be pleased to state:

(a) whether the Government are giving a major thrust to the captive power policy;

(b) if so, the details of the areas identified and the assistance to be given by the Union Government for setting up captive power plants;

(c) whether some States have conveyed to the Union Government about their decision to liberalise the captive power policies;

(d) if so, the details thereof;

(e) whether many States have discouraged the captive projects as the State Electricity Boards stand to loose out on their cash cows the industrial sector; and

(f) if so, the details regarding the suggestions placed by the Government along with the guidelines issued in this regard?

Answer

THE MINISTER OF POWER (SHRI SURESH PRABHU)

(a) to (f) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF STARRED QUESTION NO. 726 TO BE ANSWERED IN TH LOK SABHA ON 16.05.2002 REGARDING CAPTIVE POWER POLICY.

(a) to (f) : Under Section 44 of the Electricity (Supply) Act, 1948, the StateElectricity Boards (SEBs) are competent to give consent to setting up of captive power plants by various industries. Consultation with Central ElectricityAuthority (CEA) is necessary only in cases where the capacity of the captive power plant exceeds 25 MW.

The Government does not provide assistance for setting up captive power plants. Captive power plants are generally set up by an industry or a group of industries and the power generated is primarily intended for self consumption of the industry. The Government of India, through a circular letter dated October 9, 1995 had advised the State Governments/State Electricity Boards to encourage setting up of captive generation plants and to create an institutional mechanism which may allow captive power units an easy entry into the power sector by quickly clearing captive power applications, giving the developers a rational tariff for purchase of surplus power by the grid and third party access for direct sale of power to other industrial units.

On July 11, 2001 the Ministry of Powercirculated a Captive Power Policy prepared by the Ministry of Power in consultation with the CEA to all the State Governments and Union Territories. In this policy, the following has been included:

? If captive plant is of Hydro or cogeneration, such plant, irrespective of its size, may be permitted liberally.

? If captive power plant is based on coal or liquid fuel or gas such plant may be allowed and capacity of the plant permitted up to 200% of the requirement of industry (If the State is deficit in power).

? Captive power plant may be allowed if State/SEB or successor entity areunable to supply the required power supply. Such a captive power plant can be considered for the uninterrupted power supply to the industry even if the State is surplus in power.

? If the industry requires quality power supply which is not available, the proposal for installation of the captive power plant can be considered.

? If the cost of generation from captive power plant is found to be lower, the proposal may be considered after examining the cost and tariff.

? Units in Special Economic Zone (SEZs) and industrial estates may be allowed to set up captive power plants liberally.

? Banking facilities are proposed to be provided to Captive PowerPlants(CPPs). The rates for banking may be determined on

mutually agreed terms.

? Prior approval of SEB has to be obtained for wheeling of power. Wheelingmay be done to any service (HT or LT). Wheeling charges may be worked out based on pooled rates worked out by Central/State Transmission Utility of that region.

? The tariff for sale of power from thermal and hydro CPPs, may be fixedafter mutual discussion and could be based on pooled variable charge of thermal power stations operating under the SEB plus some percentage ofthe pooled variable charges as incentive. Tariff could also be based on the highest variable cost in the system or actual variable cost of CPP, whichever is lower and some percentage of the variable cost as an incentive.

? Third party sale is also permissible with the approval of SEB.

Most of the States/Union Territories have assured that the guidelineswould be given due consideration. Several states such as Madhya Pradesh, Rajasthan, West Bengal, Andhra Pradesh, Maharashtra, Haryana, Gujarat, TamilNadu and Jharkhand have forwarded copies of their own captive power policies. In these policies, though third party sales have not been permitted by the State Governments/State Electricity Boards, provisions have been made for evacuationof surplus power to the State grid from the captive power plants, depending upon the system requirements, on mutually agreed terms subject to the approval of the State Electricity Regulatory Commissions, wherever established. While some States have liberalized the procedure for giving permission for establishment of captive power plants, fixation of tariff and wheeling etc., others continue to have restrictive policies.